

City of Santa Fe, New Mexico
Notes to the Financial Statements
June 30, 2003

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$111,030,622 difference are as follows:

Bonds Payable	\$ 105,955,000
Plus: Bond premium (to be amortized as interest expense)	845,158
Arbitrage Rebate Payable	3,805
Capital Leases Payable	1,009,666
Sub - Total	<u>107,813,629</u>
Compensated Absences	3,216,993
Net Adjustment to reduce <i>fund balance – total governmental funds</i>	<u><u>\$ 111,030,622</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balance – total governmental funds* and *changes in net assets of government activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$4,482,824 difference are as follows:

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Capital Outlay	\$ 16,136,045
Less: Capital Outlay - Inventory Exempt	(2,776,689)
Depreciation Expense	(8,876,532)
Net Adjustment to Increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 4,482,824</u></u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” Neither transaction however has any effect on net assets. Also, governmental funds report the deferred and amortized amounts in the statement of activities. The details of this \$8,340,250 difference are as follows:

Principal Repayments:	
Revenue Bond Debt	\$ 7,820,000
Capital Lease Payments	520,250
Net Adjustment to <i>decrease net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 8,340,250</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$137,649 difference are as follows:

Compensated Absences	\$ 100,126
Amortization of Deferred Charges	(32,907)
Amortization of Bond Premiums	70,430
Net Adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 137,649</u></u>

III. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end.

The City is required to submit a proposed budget, which has been approved by the governing body, for each fiscal year on or before June 1st with the State of New Mexico Local Government Division of the Department of Finance and Administration. Before July 1st, the Local Government Division approves and certifies an operating budget for use pending approval of the final budget. Prior to the first Monday in September, the Local Governmental Division must certify a final budget for the municipality.

The Local Government Division must also approve the following changes throughout the fiscal year:

1. budget increases;